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CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

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This is UNEVALUATED
Information

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
THE APPRAISAL OF CONTENT IS TENTATIVE.
(FOR KEY SEE REVERSE)

1. A directive has been issued by the Hungarian authorities which forbids the export of certain items to the Soviet Union. It is in conformity with parallel prohibitions imposed in other Satellites and was issued as part of a general agreement. The commodities concerned include all pork products, sugar, fat, wines, spirits, flour, clothing, and horses.¹ One provision of the agreement calls for efforts to export the above commodities to capitalistic countries. 25X1
2. The Soviet Union has decided to increase its trade with the West, from whom it wishes to obtain essential goods in barter against articles which it has in abundance and cannot dispose of in the Satellites. 25X1
3. Hungarotex, Hungarian foreign-trade corporation for textiles, had a Soviet department in which ten Hungarians were employed. The department was abolished as of 31 January 1955. 25X1
4. At the end of January 1955 approximately 30 representatives of Hungarian foreign-trade corporations were engaged in simultaneous negotiations with Soviet authorities in Moscow to export various goods to the USSR. As far as is known, no agreement was reached and this accounts for the trip to Moscow of the Hungarian Minister of Foreign Trade, László Háy, and Jenő Ince, his First Deputy, in early February 1955. Reportedly the Hungarians were pleading for Soviet import of primary commodities (sic) which, according to the plan of 1955 were earmarked for the USSR. During the discussions Háy had summoned by telephone the following personalities to join him in Moscow: 25X1
 - a. György Székely, director of Agrimpex, who also represented Monimpex and Terimpex.
 - b. Nándor Horetsky, director of Medimpex, who also represented Chemolimpex.

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5. A serious situation had arisen in the Hungarian industry as a consequence of the Russian refusal to continue the usual purchases. The factories have executed the plans as established by the Planning Commission, and have delivered the products against receipts to the foreign-trade enterprises, but the latter had no idea what to do with the large consignments destined for export to the USSR. This has brought about complicated legal problems between the various producing concerns and the foreign-trade enterprises. The latter are refusing to accept the goods ordered, stating that the Soviet market was closed unexpectedly, while the concerns insist on acceptance of the goods, stating that the supplier cannot be dependent on marketing conditions and that an order is an order. A large number of such cases are now up for arbitration.
6. Goods which the Soviet Union had contracted for and refuses to accept include the following:
- a. Knitwear to a value of ninety million forint.
 - b. Furniture to a value of three hundred million forint.
 - c. Arpad railroad cars to a value of twenty-two million forint.
 - d. Nine ships. The Soviet Union is now buying ships from Finland.
7. All Hungarian foreign-trade enterprises have been instructed to make maximum use of [redacted] Yugoslavia's rail and road communications instead of West European ports.³ Transportation by this route is cheaper, and payment may have been provided for in the Hungarian-Yugoslav trade agreement.

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[redacted] Comments:

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- 1. Cutting down on imports of consumer goods is in line with the current Soviet policy.
- 2. Available information indicates that the USSR is cutting back on foreign trade all along the line.
- 3. There is no evidence of such instructions to Hungarian foreign-trade enterprises. However, the Yugoslav port of Rijeka and Yugoslav railroads are being used to facilitate the transportation of Hungarian goods to foreign markets.

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